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NORTH KOREA: THE FEBRUARY 13TH AGREEMENT

WEDNESDAY, FEBRUARY 28, 2007

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 1:30 p.m. in room 2172, Rayburn House Office Building, Hon. Tom Lantos (chairman of the committee) presiding.

Chairman LANTOS. The committee will come to order. Let me first extend my apologies to our distinguished witness, but, as you know, we were voting on the Floor. Let me extend my apology because in a few minutes there is a bicameral, bipartisan leadership meeting at the White House, and later I will need to go there.

The Six-Party deal announced in Beijing 2 weeks ago represented an all-too-rare victory for diplomacy. Too often, the wise words and sound counsel of America's top diplomats have been drowned out by the strong unilateralist voices echoing through the hallways of the White House. Through skillful diplomacy and compromise, the Beijing Agreement has the potential to kick-start the long and arduous process of de-escalating tensions on the Korean Peninsula.

Henry Kissinger once wrote:

"The crisis does not always appear to a policymaker as a series of dramatic events. Usually it imposes itself an exhausting agenda of petty chores demanding both concentration and endurance."

Our distinguished witness, Ambassador Christopher Hill, has had no shortage of concentration or endurance as he has engaged in the often painful and frustrating process of negotiating with the North Koreans. I know, because I have done it myself.

Thank you, Mr. Ambassador, for working so hard and so successfully to bring about this agreement, and for your extraordinary service to our nation.

To be sure, the February 13 agreement is not a panacea for the North Korean nuclear threat. The success of the deal is entirely dependent—and I want to repeat this and underscore it—entirely dependent upon the good intentions of the North Korean leadership, good intentions which have been in remarkably short supply in Pyongyang during the Six-Party discussions.

The first 60 days of required actions under the Beijing Agreement are clear and measurable. But beyond the first 2 months, I

am concerned that North Korean obfuscation might work to undermine the effectiveness of the denuclearization agreement.

What will happen if the North Koreans fail to provide us with a complete list of all their nuclear activities? Who will verify the list? If the list falls short, will Pyongyang continue to receive the fuel assistance it has been promised?

We must also recognize that the Beijing deal is not comprehensive. The critically-important issues of destabilizing missiles, human rights, democracy and refugees have yet to be tackled. As I have made crystal clear in all my discussions with the North Koreans, the United States and the Democratic People's Republic of Korea can never have a fully normal relationship absent progress on these important fronts.

With these reservations aside, it would be profoundly unwise not to recognize the enormous significance of this deal. Having traveled and spent two very fascinating periods in North Korea, I am convinced that there is no silver bullet. There will never be a one-time comprehensive peace and denuclearization agreement with North Korea. We will only achieve these objectives through a painful step-by-step, verifiable process in which all sides dig out from the decades of mutual distrust and misunderstanding.

For that reason, I am particularly pleased that Secretary Condoleezza Rice has agreed, in principle, to meet her North Korean counterpart in Beijing in April to discuss implementation of the agreement. And it is very positive that our two countries have agreed to establish a working group to focus on the normalization of relations.

Given the decades of hostility between the United States and North Korea—and North Korea threatening nuclear and missile tests—it would be folly to believe that normalization will come quickly or painlessly. But this process of determining the right sequence of events that could lead to normalization must begin, and it must begin now.

Mr. Ambassador, you have been beaten bloody by some in this town since your return from Beijing because of the similarities between this deal and the 1994 agreed framework. While there are differences between the two agreements, one cannot escape the fact that the North Koreans will receive significant quantities of fuel oil in exchange for nuclear concessions.

It is important to remember that the much-maligned Agreed Framework stopped nuclear fuel production at the Yongbyon facility for more than 8 years, fuel which could otherwise have produced dozens of additional nuclear weapons. If the deal you have negotiated in Beijing has a similar impact, you, Mr. Ambassador, should be extremely proud of it.

As we look toward implementation of the Beijing Agreement, we must not be naive. It is possible that Pyongyang made this deal to get Beijing off its back, and to give itself breathing space to further develop its destabilizing nuclear and missile programs.

In a land of few good policy options, a promising diplomatic accord is indeed a welcome development. So I congratulate you, Mr. Ambassador, on a job exceptionally well done.

Let me now call on my good friend and distinguished colleague from Florida, the ranking Republican member of the committee, Congresswoman Ileana Ros-Lehtinen.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Chairman, and thank you, Ambassador. We are so pleased to welcome you—you are one of our nation's most distinguished diplomats—to our committee. We look forward to hearing an account of the recent negotiations at the Six-Party Talks in Beijing which produced the February 13 agreement.

We all share a desire for a comprehensive and verifiable solution that will leave the Korean Peninsula free of nuclear weapons. With roughly 30,000 United States military personnel still stationed in South Korea, that nation's security and that of the region as a whole is vital to United States national security interest.

However, I and other members have a number of concerns regarding this agreement. Several of the provisions include the shutting down and the sealing of the Yongbyon nuclear reactor, the conditions and limitations regarding the return of the IAEA personnel for monitoring and the provision of the equivalent of 50,000 tons of heavy fuel oil.

These are echoes of the 1994 agreement signed by the Clinton administration. In that agreement, North Korea pledged to freeze and eventually dismantle its nuclear weapons program. However, in 2002 North Korea admitted to operating a secret nuclear weapons program in violation of the 1994 agreement.

Yesterday, the mission manager for North Korea in the Office of the Director of National Intelligence disclosed during a Senate hearing that North Korea had acquired material sufficient for a production scale capability of enriching uranium, in violation of agreements to disarm.

Given this record, what has changed that has convinced you and the administration that the North Korean regime will abide by its commitments in the February 13 agreement? Concerns have been raised that a new agreement would merely seek to temporarily delay further North Korean activity rather than focusing, as we did with Libya, on full, permanent and verifiable disarmament.

There are a number of additional issues that were not adequately addressed in this agreement. Pyongyang's continued transfer of missile technology to South Asia and the Middle East remains of great concern for Members of Congress.

Press reports that Iranian so-called observers were present at North Korea's missile launches last July raised troubling questions regarding the continued proliferation of missiles expertise to that country and others. Is this a subject you intend to address in these negotiations?

Then there is North Korea's continuing counterfeiting of United States currency. The Treasury Department, under the Patriot Act, Section 311, imposed sanctions in 2005 against the Macau Bank, which was designated as a primary money laundering concern.

This was the result of bank officials' acceptance of North Korean deposits involving counterfeit United States currency and other illicit activities. As you are aware, counterfeiting of other nations' currency is widely recognized as an economic act of war.

However, it now appears that an understanding was reached in either Berlin or Beijing whereby these sanctions will soon be lifted. This appears true even though Pyongyang has not stopped counterfeiting United States currency. What assurances do we have that North Korea has stopped or will stop this assault on our financial system?

We are also concerned about reports that the United States pledged in Beijing to begin the process of removing the designation of North Korea as a state sponsor of terrorism. I would note that in 2004 at a press conference Ambassador Black, then the State Department Coordinator for Counterterrorism, made the following pledge: "We will not expunge a terrorist sponsor's record simply because time has passed."

Given that there is little evidence that North Korea has abandoned its long-established policy of supporting terrorism, I would appreciate your explaining why the United States is making such an offer to the North Korean regime.

As we are all aware, the State Department's list of state sponsors of terrorism has taken on a new and greater significance following the tragic events of September 11. Clearly it should never be used as a bargaining chip in a diplomatic settlement.

Then there is the problem of the unresolved fate of the Japanese citizens abducted by North Korean agents over several decades. Ambassador Black stated that we are pressing the North Korean Government to resolve this, so it is important to us, and I think it is a part of our concern of North Korea being on the state sponsor list.

He also made a public commitment to the government and the people of our ally, Japan, that their abductees would not be forgotten in resolving terrorist questions with North Korea, but there is an understandable concern in Tokyo that these and other issues important to Japan have been ignored due to the desire to rapidly close a deal with Pyongyang.

Perhaps the most important unresolved subject is that of verification. We are all aware that the verification provisions in the 1994 agreement were so inadequate that North Korea was for many years able to develop and operate a secret nuclear weapons program.

Clearly, only vastly more effective verification measures can provide any confidence that North Korea is in fact living up to its commitment. Without such independent verification, any agreement is little more than a piece of paper.

As you can see, Mr. Ambassador, there are many issues that need to be addressed, and you know them as well, such as the fate of the highly enriched uranium component of Pyongyang's nuclear program, before any agreement with North Korea can be finalized.

On that point, I noted with interest today's story in the *Washington Times* that according to a State Department official, North Korea's chief negotiator, the Vice Minister of Foreign Affairs, is expected to arrive in the United States tomorrow to begin negotiations on normalizing relations between the United States and his country, among other issues.

Do you anticipate the establishment of diplomatic ties before the principal outstanding disagreements are fully resolved, or is that to come only at the end of the process?

I will end my list here and address these additional questions later. Ambassador Hill, I am certain that we all agree that a partial agreement that would allow North Korea to again evade its responsibilities as it did under the 1994 agreement is not the answer.

Instead, what is needed is a comprehensive and lasting solution to North Korea's nuclear and missile pursuits which are a threat to United States national security interests and a threat to global peace and security. This means nothing less than a complete verifiable and irreversible dismantlement of North Korea's unconventional weapons program.

Thank you, Ambassador Hill, for your indulgence, and I thank the chairman for the time.

Mr. FALEOMAVEGA [presiding]. I thank the gentlelady for her eloquent statement and as our senior ranking member of this committee.

I also want to thank Chairman Lantos for seeing that this hearing should be brought to the full committee level simply because of its urgency and importance, especially in defining what our foreign policy should be toward this important region of the world.

Mr. Secretary or Mr. Ambassador, I don't know which. I call you both Mr. Ambassador and Mr. Secretary. At any rate, I would ask for your forbearance. We will have some opening statements that need to be made, and we will then proceed for your statement.

Mr. Secretary, first and foremost I want to commend you for your recent success in formalizing the agreement with North Korea. It is my understanding that the initial phase of this agreement will include a 60-day timetable in which North Korea will freeze its plutonium installations, invite back the International Atomic Energy Agency, discuss with the six parties a list of its nuclear programs and begin bilateral talks with the United States aimed at moving toward full diplomatic relations.

The United States will also begin the process of removing North Korea from the U.S. list of state sponsors of terrorism.

In exchange, North Korea will receive 50,000 tons of heavy oil, and in the next phase, to be determined after March of this year, North Korea will receive up to 1 million tons of heavy oil.

While I applaud this progress, we can also agree that the next phase will represent some more obstacles because there is no timetable or deadline, and it is unclear whether North Korea will come clean about its secret highly enriched uranium program which it started with assistance it received from Pakistan.

What about Pakistan? The United States continues to subsidize Pakistan's military at about \$80 million per month, which is roughly equal to one-quarter of Pakistan's total defense expenditures, yet for over 30 years North Korea and Pakistan have engaged in conventional arms trade, and then last year General or President Musharraf admitted that Pakistan, I believe through Mr. Khan, transferred nuclear technology to North Korea and other rogue nations.

What does a Pakistan-North Korean alliance mean for India, and what assurances do we have that the United States' assistance to Pakistan is not escalating North Korean nuclear build-up?

Given North Korea's longstanding denials of having a highly enriched uranium program, do we have any assurances that North Korea would admit to and disclose the details of such a program? If not, are we really making progress?

If we are not making progress, what does this mean for Japan, given that it is not a permanent member of the United Nations Security Council and does not have the nuclear capability to defend itself if and when North Korea chooses to target its neighbor, especially in this part of the region of the world.

Furthermore, if the United States is preoccupied with Iraq, will the United States defend Japan at all costs, or will Japan have to go nuclear to protect its own interests? If Japan does go nuclear, what are the implications toward other countries of the region, especially China?

I note with interest, Mr. Secretary, that former Ambassador to the United Nations, Ambassador Bolton, was quite critical of the results of our six nation talks, and I suspect Secretary Rice may have had to go through several loopholes within the administration to get this agreement approved.

Now that the administration has agreed to hold consultations I believe—correct me if I am wrong—with both Syria and Iran it just simply appears to make it consistent in terms with the administration's efforts to go multilateral rather than unilateral as what we have done with Iraq.

I have a couple more questions, and I do have some questions I will raise later, but I do want to again welcome you, Mr. Secretary, for doing an outstanding job in the latest development of these negotiations that have been going on for quite a while.

I will now ask my ranking member of our Subcommittee on Asia, the Pacific, and the Global Environment, my good friend from Illinois, Mr. Manzullo, for his opening statement.

Mr. MANZULLO. Thank you very much, Chairman.

Ambassador Hill, it is good to see you. We have talked in our office several times, and I am glad that you came back with something this time and really appreciate the tremendous work you have been putting into this.

Denuclearization of the Korean Peninsula is an issue that we all take very seriously, and I wanted to emphasize my complete and full support for the administration's efforts to achieve success at the Six-Party Talks. I am very pleased that the United States is joining five other countries in the process.

China's role in urging Pyongyang to abandon its nuclear ambitions is extremely important. Maintaining the support of our allies, particularly Japan, is also vital going forward, so I am hopeful that this agreement is a viable first step.

Having said that, I wanted to express my concern that the agreement does very little to halt the proliferation and other illicit activities being conducted by the DPRK. North Korea remains one of the most serious proliferators of missile technology.

The Proliferation Security Initiative was established to counter Pyongyang's dangerous actions. Again, there is no evidence that

Korea has suspended or halted its proliferation activities while negotiating with the United States.

I won't read the rest of my statement. I will just state that I am glad that you are here. This is obviously a first step, and I know that you will be touching on the other issues in my opening statement.

Mr. FALEOMAVEGA. I thank the gentleman from Illinois.

I now have the honor to allow our distinguished chairman of the Subcommittee on Terrorism, Nonproliferation, and Trade, and that is the gentleman from California, Mr. Sherman, for his opening statement.

Mr. SHERMAN. Thank you, Chairman Faleomavaega. As you know, these hearings were going to be joint hearings of our two subcommittees. I commend the chairman of the full committee for raising this to the highest level our committee can, given its importance.

North Korea is not nearly as ambitious as some other rogue states. It hasn't sought to influence world events. It seems bent on regime survival, but that doesn't mean that North Korea's possession of nuclear weapons is something we should accept calmly.

The theory I put forward is that they will keep the first dozen nuclear weapons they can build. I guess they need a thirteenth to test. They have already done that. After that, the next one goes on eBay. I commend your efforts to try to bring CVID to the Korean Peninsula.

This deal is kind of back to the future. It looks the same as 2002 with two notable exceptions, one bad, one good. The bad exception is North Korea now has more nuclear weapons than they had in 2002, and they have tested one. The seemingly good news is that under this deal North Korea gets less cash than certainly their interpretation of the deals in 2002 and before.

The amount of aid that we are to provide under the initial stages of this deal are relatively modest. That may, however, be illusory because I believe that in addition to the aid required under this agreement that China will provide aid in addition and beyond, and South Korea will as well.

We will have to see ultimately what level of aid North Korea gets for halting a program in 2007 that had previously been halted in 2002 and then got a 5-year new lease on life. The big issue, as it was in 2002, is North Korea's alleged parallel nuclear program; that in addition to their plutonium plant at Yongbyon that they may very well have a highly enriched uranium centrifuge driven bomb program. They admitted it. Then they denied it.

I would sure like to hear Secretary Hill tell us whether they have such a program, and I am sure we look forward to a definitive statement issued under this agreement by North Korea as to whether such a program exists.

Given that North Korea is perhaps the most secretive regime on the planet with the most underground tunnels of any nation, I am by no means sure that we would know that they had an HEU program even if they did, and our best evidence that they had one was that they admitted it.

Finally, we all look forward not to just this agreement, but the elimination of all nuclear weapons on the Korean Peninsula. To

achieve this, we need China to do more than they have done so far. Right now China balances on the one hand their interest in Korean stability and a little bit of extra interest in tweaking us now and then and on the other hand their own interest in a nonnuclear North Korea.

Often the first hand has outweighed the second, and I look forward to hearing from the Secretary what we can do to change our China policy or in some other way change the relationship and balance between those two hands so that China uses a nonnuclear North Korea as their primary objective on the Peninsula.

I yield back, and thank you.

Mr. FALEOMAVAEGA. I thank the chairman.

We now have our senior ranking member of the Subcommittee on Terrorism, Nonproliferation, and Trade, the gentleman from California, Mr. Royce, for his opening statement.

Mr. ROYCE. Thank you, Mr. Chairman.

Yesterday in Afghanistan, the first Korean soldier died on that battlefield in the war on terrorism, along with a United States soldier, his colleague. I offer condolences to the families.

Mr. Chairman, I thank you for this hearing. As others have said about this agreement, it is just a beginning. It is a beginning of a process that may lead to where we want to go, or it may not. It is too early to celebrate. It is too early to condemn.

One certainty though is that it has been advantageous to have partners, four other nations, who are jolted by North Korea's missile tests and nuclear detonation. That has helped bring the international community together here.

This process' goal must be to see that North Korea abandons—and I am going to read from Security Council Resolution 1718—“all nuclear weapons and existing nuclear programs in a complete, verifiable and irreversible manner.”

The administration used to refer to the Libya model when discussing North Korea. Under the February 13 agreement, though, it is unclear what is to be done with North Korea's nuclear stockpile. Other key questions are unanswered. Some have suggested that other countries view this agreement as about containing more than eliminating North Korea's nuclear program.

I am concerned about the administration's apparent de-emphasis of its concerted effort to combat North Korea's illicit activities that we began in 2003 in a serious effort, and this includes anti counterfeiting efforts.

North Korea, with its counterfeiting, is prosecuting economic war against the United States. Having used financial pressure to get North Korea back to the table, which is North Korea's admission, we are now looking to “resolve” the Banco Delta Asia issue, relieving that pressure. Law enforcement efforts against North Korean illicit activities should in no way be compromised.

Another area where we should give no quarter is on the issue of human rights. Tomorrow the Asia Subcommittee will hear from the President's Special Envoy for Human Rights in North Korea. He refers to the situation in North Korea as an Asian Darfur.

Human rights aren't so disconnected to me. The North Korean human rights horror is central to today's issue because the pros-

pects for successful nuclear resolution would be much better if we were not dealing with such a brutal regime.

I am pleased that the administration is providing more resources for radio broadcasts into North Korea aimed at liberating North Koreans. In 2005, President Bush said this about North Korea: "They counterfeit our money, and they are starving their people to death." His words are worth remembering.

Thank you again, Mr. Chairman.

Mr. FALEOMAVEGA. I thank the gentleman from California.

Now I would like to ask the chairman of the Middle East and South Asia for his opening statement. I am constrained that we have to limit 1 minute to the rest of the members of the committees for the sake of Secretary Hill's presence and time here.

Mr. Ackerman?

Mr. ACKERMAN. Thank you. Well, three cheers for negotiations, Mr. Chairman, and congratulations to Assistant Secretary Hill for getting us to this point. I am just sorry it has taken so long for us to get there.

Your predecessor under the same administration testified before this committee a few years ago when we walked away from the table and laid down all sorts of demands as to how we would get back to the table. As many of us warned, that proved to be non-doable, and we have now come full circle to the point where it looks like we have the makings of something that makes a great deal of sense.

Let us review the bidding. North Korea promises to shut down and seal the Yongbyon facility, allows access to IAEA inspectors and disclose all of its nuclear programs. We begin the process of removing Pyongyang from the state sponsor of terrorism list, begin terminating the application of the Trading with the Enemies Act and begin bilateral discussions with the goal of diplomatic recognition. In the meantime, North Korea gets 50,000 barrels of heavy fuel oil.

It sounds like a pretty good deal, and it sounds like a pretty familiar deal as well. I think we can't be anything but pleased by—how shall I put it—the Agreed Framework announced in Beijing 2 weeks ago, the first 60 days of which look pretty solid, but I wonder how long it will be before North Korea goes back to the foot dragging and hypersensitive objections that they have expressed in the past.

And I wonder how our friends in Beijing will respond when we get to the point that North Korea decides not to freeze its plutonium reprocessing or let in the IAEA inspectors or disclose all of its nuclear activities. I wonder where that would leave us.

I think that we are off to a reasonably good beginning, and I hope, Mr. Secretary, that you will be able to continue to build on this process and hopefully share with us what happens when all that oil runs out.

Do we just begin the process of walking away and they walk away and demands start all over again and it goes on forever like that or what?

Thank you.

Mr. FALEOMAVEGA. The gentleman from Arizona, Mr. Flake, for 1 minute.

Mr. FLAKE. I won't take a minute, but I just want to say congratulations. I know there has been a lot of hard work done on your part and the part of the whole administration so thanks, and I look forward to hearing your comments.

Mr. FALEOMAVAEGA. The gentlelady from California, Ms. Watson.

Ms. WATSON. I just want to also repeat congratulations and thank you for bringing somewhat of an agreement. The questions have already been asked, and I look forward to your answers. Congratulations on a job well done.

Mr. FALEOMAVAEGA. The gentleman from Indiana, Mr. Pence.

Mr. PENCE. Thank you, Mr. Chairman.

I am delighted to welcome the Assistant Secretary to this committee. I am grateful for your service to the nation and anxious to hear your presentation today both with regard to this negotiated agreement in Beijing, but also with regard to the ongoing relationship with North Korea.

I would hope, as some news organizations this morning are reporting our intention to normalize ties between the United States and North Korea, that we would at least create as high a hurdle for North Korea as we did for Libya. Libya completely renounced terrorism, made reparations, transparently dismantled their weapons program.

I would like to hear Ambassador Hill's comments on our ongoing relationship and what criteria that might be, but I welcome you, and I thank you for your service to the country in this regard.

Mr. FALEOMAVAEGA. My good friend from Georgia, Mr. Scott.

Mr. SCOTT. Thank you, Mr. Chairman.

I, too, want to congratulate you, Ambassador Hill, for the excellent job you have done on this. This is a great step going forward. I do believe that we have some very, very serious questions I think which deserve some answers here.

I think foremost, of course, in the first phase critical is the 50,000 tons. Is South Korea the entity that is going to pay for that? How much is that, for example? What is there to make sure that North Korea continues and if they backtrack? Also, the North Korean Government is a very secretive government. What guarantees do we have that we could really trust them?

Secondly, this is six parties. What about the Russians? What are the Chinese and what are the Japanese bringing to the table?

I look forward to your testimony and again thank you for a job well done.

Mr. FALEOMAVAEGA. It is with pleasure that I introduce our distinguished witness this afternoon, Ambassador Christopher Hill, now Assistant Secretary of State for East Asian and Pacific Affairs.

I have known Secretary Hill for many years and regard him as one of our country's wisest and most skillful diplomats. Throughout his outstanding career with the Foreign Service he has successfully grappled with some of our most difficult diplomatic challenges, including the Bosnian peace settlement that brought that bloody conflict to an end.

For the last 2 years he has worked tirelessly with our partners in the Six-Party process and talks—the People's Republic of China, South Korea, Japan and Russia—to try to resolve the North Ko-

rean nuclear crisis and bring peace and stability to the Korean Peninsula.

Ambassador Hill, welcome to the committee, and thank you for coming and for your patience given all the problems that we have had with the votes this afternoon. We look forward to hearing from you in view of the latest developments in North Korea and that you recently broached in Beijing and the next steps to resolve this dangerous dilemma.

Please proceed, Mr. Secretary.

STATEMENT OF THE HONORABLE CHRISTOPHER R. HILL, ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

Ambassador HILL. Thank you very much, Mr. Chairman. Let me first ask. I have a statement that I would like to submit to the committee for the record.

Mr. FALEOMAVAEGA. Without objection. Your statement will be made part of the record.

Ambassador HILL. Thank you.

Mr. Chairman, distinguished members of this committee, thank you very much for inviting me here today. It is an honor to appear here for the first time in the committee in the new Congress. I have enjoyed working with the members and staff of the committee in the previous Congress, in fact, when it had the name the House International Relations Committee; and I very much look forward to working with the House Foreign Affairs Committee in this new Congress.

Mr. Chairman, I am pleased to report to you that I took an interagency team to Beijing on February 8, an interagency team that consisted of members of the National Security Council staff, members from the Office of the Secretary of Defense, from the Joint Chiefs of Staff and also from the Department of Energy, and we spent some 5 days in Beijing. I am pleased to report that we have made some progress in this effort.

The agreement that we reached in Beijing is an important first step, but I want to emphasize—indeed, I would like to echo many of the comments that the members of the committee have made—that it is a first step, but only a first step toward what we are seeking to accomplish, which is the complete denuclearization of the Korean Peninsula and the establishment of a more stable, more peaceful and prosperous Northeast Asia.

We believe that we are fulfilling the President's objective of approaching this problem diplomatically. We are approaching it multilaterally because this is not just an American problem. This is a problem involving all of North Korea's neighbors and I would argue many other countries in the world as well, and this is a problem that we want to approach peacefully.

In September 2005, we achieved a Joint Statement of Principles. The six parties achieved a joint statement, and in that joint statement the DPRK, that is North Korea, committed to abandoning all of its nuclear weapons and all of its existing nuclear programs.

The February 13 agreement, in our view, is an important initial step in that direction. That is, we have laid out what the goal is, and we have now taken a step toward that goal. Our approach is

broad in scope, and we have a comprehensive vision that seeks a lasting solution to the problems of nuclear weapons by addressing a wide range of economic and security and political issues.

The agreement commits all six parties, and that is I would say a key difference to some previous bilateral agreements that we had with North Korea. It establishes tight timelines for actions that are measured in months; not in years, but in months.

In this first tranche of initial actions that is within 60 days, North Korea has agreed to shut down and seal for the purpose of eventual abandonment the Yongbyon nuclear facility. This is the facility that is producing plutonium. This is the only facility in North Korea today that is producing plutonium and so they have agreed to shut it down and seal it for the purpose of getting rid of it, of abandoning it, in this next 60 days.

The DPRK has also agreed to invite back IAEA personnel to conduct all necessary monitoring and verification that in fact the plant has been shut down, that is the reactor and the reprocessing facility have been shut down, and already there have been contacts between the Pyongyang and IAEA Chairman el Baradei in Vienna to begin this process of getting the IAEA back into North Korea.

In addition, the North Koreans have agreed to discuss with the other parties in the Six-Party Talks, a list of all of its nuclear programs, including the plutonium extracted from used fuel rods that must be abandoned pursuant to the joint statement.

So in these 60 days they have agreed to begin a discussion, and the purpose of this discussion is to lead to a declaration that would explain to us what all of their programs are and how all of those programs must be abandoned.

Now, we have agreed in return to provide some emergency energy assistance to the DPRK in this initial phase. The initial shipment of the emergency energy assistance is the equivalent of some 50,000 tons of heavy fuel oil, which will commence by the end or within the first 60 days of the agreement.

The six parties are also committed to establishing five working groups that will carry out these initial actions and will formulate specific plans for how the September 2005 agreement that is leading to the denuclearization of North Korea, how that agreement can be realized.

In addition, we have agreed to provide additional fuel oil in a follow-on phase, up to an equivalent of 950,000 tons, but this additional fuel oil that we have agreed to provide is conditional on the North Koreans agreeing to disable their entire nuclear program.

Now, we need to work out with them in the working group how they will disable this entire nuclear program. That is, with respect to the Yongbyon reactor they have agreed in the first phase to shut it down. They have agreed in this follow-on phase to actually disable it, make it so it can't just have the seals removed and be turned back on and the inspectors sent out of the country.

That is, they have agreed to disable the reactor and they have agreed to disable all of their nuclear facilities, so we are proceeding with the current 60-day approach, and then we have a clear idea of what the next phase will be.

Now let me mention what the working groups are going to be. The first is the Denuclearization of the Korean Peninsula. Now, in

that working group we need to work with the North Koreans on discussing their list of all their programs. All means all, and this means the highly enriched uranium program as well.

That working group will have the important task within the 60 days of discussing precisely what the North Koreans have for programs that would be listed in their declaration that they would make to the international community, a declaration that would be used as a basis for denuclearizing North Korea and bringing them back into the Nonproliferation Treaty. So that is what the denuclearization working group needs to do, and it also will need to determine precisely how the reactor will be disabled in the follow-on phase.

Secondly, we have two bilateral working groups. The first is the Japan-North Korea working group. Yesterday Japan and North Korea announced that their working group, which will aim at normalization of their ties, will begin on March 7, that is next Wednesday, and will take place in Hanoi.

The purpose is to address their outstanding issues, and from the Japanese point of view one of the key issues that they want to address is a mechanism for dealing with this very, very difficult problem of abductions; that is, Japanese citizens who were abducted in the late-1970s/early-1980s by agents of North Korea. Japan needs a resolution of this problem. They need a mechanism for dealing with it. That will doubtless come up in their bilateral talks.

In addition, there is a bilateral working group on United States-North Korea relations. This bilateral working group, we announced earlier today, will talk place in New York City on March 5 and March 6, that is Monday and Tuesday, and there we will begin the process of addressing our bilateral ties with the intention of eventual normalization.

I want to emphasize the word begin because we have a lot of bilateral issues we need to talk about. We have a lot of issues that are of concern to us. I am sure the DPRK will have issues that are of concern to them, but we have a lot of issues we need to bring out, and many of those the members of your committee have already mentioned.

So in addition to denuclearization and the two normalization working groups, there will also be a working group on Economic and Energy Cooperation, and here we will look to discuss North Korea's economic needs, its energy needs and in particular how the heavy fuel oil can be distributed, a schedule for doing this.

We know that this first tranche, that is this 50,000 tons of fuel oil, will be done by the South Korean Government alone, but in the longer term we have agreed with the South Koreans, with the Russians and with the Chinese, to share the burden equitably of economic and energy assistance for further tranches as we are able to move forward on denuclearization, so we will begin those discussions in this working group.

I would point out that one of the differences between this agreement and previous agreements is that in the 1990s the United States took on the burden of providing energy assistance to North Korea; it came out something on the order of 75 percent of the fuel oil that was given to North Korea pursuant to the Agreed Framework was given by the United States.

In this case, we will be doing it on the basis of 25 percent of fuel oil, and if Japan is able also to join this as their bilateral concerns are met, our percentage will be 20 percent of overall economic and energy assistance, and as other countries are invited to join in, as some other countries did in the 1990s, our percentage will be less than 20 percent.

Finally, the fifth working group has the name Northeast Asia Peace and Security Mechanism, and what we are trying to do with this working group is to address some of the broader problems that have made Northeast Asia an area of security tensions.

We would like in this working group to address the need for more multilateral mechanisms for dealing with conflict resolution. We would like in this working group to deal with some of the other problems that are not necessarily related to North Korea's nuclear aspirations; for example, its missiles. We would like to address some of the future arms control issues that need to be addressed in this part of the world.

There has been a lot of progress in Northeast Asia. In our lifetime it is truly remarkable what has happened in Northeast Asia, but what has not been progressed in Northeast Asia is enough of a sense of community, a sense of bringing countries together to work on problems unilaterally, and we hope that this working group—indeed, we hope that this Six-Party process—is a beginning in that effort.

Finally, let me stress that the fact that there are six parties in this overall framework that we are using, that fact is very important. We have five parties that are working together and watching to make sure that North Korea's commitments in the September 2005 joint statement are indeed fulfilled, and having these partners participating ensures that this approach is more robust than efforts that we have been able to do in the past because it provides stronger incentives to North Korea, but also stronger leverage to make sure that North Korea fulfills its commitments.

I know there is a lot of concern in this committee about whether North Korea will fulfill the commitments that it makes. We have addressed that in two ways. We have addressed that in having very short timelines, in the first phase a 60-day timeline. We have also addressed it by making sure that we have other guarantors that this agreement is fulfilled.

I would say one of the major guarantors that the agreement will be fulfilled is having China as the host and as really in many respects the most important participant in the Six-Party process.

I would say one of the benefits of this process for us has been in our development of a relationship with China. China has played a constructive role in this process. We have been able to harmonize with the Chinese not only the goals of this process, that is denuclearization of North Korea; we have also in many cases been able to harmonize with the Chinese our strategy for achieving these goals and even our tactics for realizing this. We are working closely with China. We feel ultimately this will be a very key factor in whether we are successful or not.

Our President has repeatedly said that if North Korea makes a strategic decision to denuclearize then much will be opened to

them. This is not to say that all our problems will be over, and some of your members of your committee have pointed this out.

We do have some real differences with North Korea that do go beyond denuclearization. We have problems in the area of human rights. We have many different problems. Those problems are ones that we need to talk to the North Koreans about and address in the context of a full normalization of our relationship.

So the denuclearization steps by North Korea that have been announced in Beijing on February 13 are really only the beginning of a commitment to denuclearization. They represent a first step. It is an important one. It is an essential one because we cannot get toward our goal without taking this step.

I come back from China to some extent feeling that we have been able to establish some momentum. I have had the very strong support of my Secretary of State. Secretary Rice was on the phone with me every single day while I was in Beijing, and on the last day Secretary Rice was up at 4:15 in the morning calling me at 5:15 in the afternoon to see how things were doing. I have felt very, very strong support here in Washington. We had a very strong interagency team.

As we go forward, I would like very much to work very closely with Congress to make sure that we can all be one team as we approach this problem.

Thank you very much, Mr. Chairman. I look forward to any and all questions.

[The prepared statement of Ambassador Hill follows:]

PREPARED STATEMENT OF THE HONORABLE CHRISTOPHER R. HILL, ASSISTANT SECRETARY, BUREAU OF EAST ASIAN AND PACIFIC AFFAIRS, U.S. DEPARTMENT OF STATE

NORTH KOREA AND THE CURRENT STATUS OF SIX-PARTY AGREEMENT

Chairman Lantos, Ranking Member Ros-Lehtinen, and distinguished Members of the Committee, thank you for inviting me to appear today. I would like to congratulate the members of the new committee; I have enjoyed working with the members and staff when it was called the House International Relations Committee and I look forward to working with newly named House Foreign Affairs Committee in this new Congress.

I am happy to say that we have made some progress since I last appeared before the House International Relations Committee last September.

The agreement at the most recent round of Six-Party Talks in Beijing is an important first step—but only a small step—toward the complete, verifiable and irreversible denuclearization of the Korea peninsula and the establishment of a more stable, peaceful and prosperous Northeast Asia. We are fulfilling the President's objective of approaching this problem diplomatically, multilaterally, and peacefully.

In the September 2005 Joint Statement, North Korea committed to abandoning all its nuclear weapons and existing nuclear programs. The February 13 agreement is an important initial step in that direction.

The current approach is broad in scope, with a comprehensive vision that seeks a lasting solution to the problem by addressing a wide range of economic and security issues. The agreement commits all six parties, a key difference from previous bilateral efforts. It establishes tight timelines for actions that are measured in months, not years. Within 60 days, the DPRK will:

- Shut down and seal for the purposes of eventual abandonment the Yongbyon nuclear facility;
- Invite back the IAEA to conduct all necessary monitoring and verifications;
- Discuss with the other parties a list of all its nuclear programs, including plutonium extracted from used fuel rods, that would be abandoned pursuant to the Joint Statement.

The Parties agreed to provide emergency energy assistance to North Korea in the initial phase. The initial shipment of emergency energy assistance equivalent to 50,000 tons of heavy fuel oil (HFO) will commence within the first 60 days of the agreement. The Six Parties also established five working groups to carry out the initial actions and formulate specific plans for the implementation of the September 2005 agreement—leading to a denuclearized DPRK and a permanent peace.

The working groups are:

- Denuclearization of the Korean Peninsula
- Normalization of U.S.-DPRK Relations
- Normalization of Japan-DPRK Relations
- Economy and Energy Cooperation
- Northeast Asia Peace and Security Mechanism

The details of the economic, energy and humanitarian (up to the equivalent of 1 million tons of HFO) assistance will be determined through consultations and assessments in the Economy and Energy Cooperation working group and will be commensurate with the steps the DPRK takes to fulfill its commitments, building on our commitment in the Joint Statement to take “Action for Action.”

An important aspect of this agreement is that it begins to lay out a path to complete denuclearization, not just a temporary shutdown of the reactor at Yongbyon. Under the agreement North Korea will discuss in the first 60 days a list of its nuclear programs that would be abandoned pursuant to the Joint Statement.

The fact that there are six parties is very important. We now have five parties aligned and watching to make sure that North Korea’s commitments in the September 2005 Joint Statement are fulfilled. Having these partners participating ensures that this approach is more robust—because it provides both stronger incentives and stronger leverage for fulfillment of North Korea’s commitments.

One of the benefits of the Six-Party process has been the development of our relationship with China. The new and highly constructive role of China as the convener of the Six-Party Talks is especially important, and our coordination with them in this area has been outstanding.

The Six-Party Talks have also become a useful mechanism for addressing regional issues, for example between North Korea and Japan. Our participation in these Talks is an important example of our commitment to the region and is also a sign of how seriously we take Northeast Asia’s security.

These multilateral efforts have had a stabilizing effect and reduced the negative impact in the region of the DPRK’s nuclear test last October. The very important alliances we have with Japan and the Republic of Korea are essential to maintaining regional security, but the Six-Party process also gave people in the region the sense that there was a mechanism to deal with this problem. Without that process we could have seen a much more dangerous counter-reaction in the region.

North Korea is well aware that it remains under Chapter VII UN sanctions. Today, UNSCR 1718 remains in effect, and North Korea understands that the international community will continue to fully and effectively implement the resolution. North Korea continues to face a basic strategic choice. There are political and material incentives on offer to North Korea, but it must fully denuclearize to realize the full benefits of those incentives. North Korea understands that it must abide by its commitments to receive these benefits.

The Banco Delta Asia (BDA) issue is being discussed on a separate track from the Six-Party Talks, managed by experts from the Treasury Department. In December and January, Treasury had two rounds of useful discussions with DPRK authorities, where the North Koreans provided information about BDA account holders. This week Treasury officials were in Macau and Hong Kong to discuss details of the BDA case. We are hopeful that this will help in bringing about a rapid resolution of the BDA case. Treasury advised the DPRK about steps it could take to avoid future problems, be less isolated in the international financial system, and eventually join international financial institutions.

The measures the U.S. Treasury Department has taken with respect to North Korean finances, specifically the designation of Banco Delta Asia in Macau as an “institution of primary money laundering concern,” clearly had a significant impact on the regime. These actions affected Pyongyang’s ability to access the international financial system and conduct international transactions as banks everywhere began to ask themselves whether doing business with North Korean entities was worth the risk.

Treasury is now prepared to resolve the Banco Delta Asia matter. But this will not solve all of North Korea’s problems with the international financial system. It must stop its illicit conduct and improve its international financial reputation in order to do that.

Once Treasury has concluded its regulatory action with respect to BDA, the disposition of the bank and of the funds that were frozen by the Macau Monetary Authority will be the responsibility of Macau, in accordance with its domestic laws and international obligations.

The President has repeatedly said that if North Korea makes a strategic decision to denuclearize, then much is open to them. The denuclearization steps by North Korea announced in Beijing on February 13 are only the beginning of their commitment to full denuclearization. While this represents a first step, it is an important one on the path towards our goal of a denuclearized Korean peninsula.

Thank you. I would be happy to answer your questions.

Mr. FALEOMAVEGA. Thank you, Mr. Secretary. We thought the statement most eloquent and certainly very comprehensive in terms of the recent experience that you have had with you and your associates in making this breakthrough as far as negotiations with the North Korean Government and officials.

Just a couple of quick questions. I think with all the rhetoric and with all the concerns initially, and I don't know. I call it a cultural nuance, a sense of respectability, and I am sure the North Korean leaders could have gone for years more even with the hardships that the people and the government leaders have gone through, but I am just curious if perhaps it was the unofficial bilateral negotiations that you went through with North Korea that really was the breakthrough, especially the efforts you have gone through, that has brought forth some light to the tunnel in this process.

Like I said, I am sure that they could have gone on for more years to come, but I suppose the question is, Why all this breakthrough? What seems to be the breaking point? I don't want to look at just economic needs. I think it is a lot more.

The Koreans are very sturdy people, if you will bear me out. I think they are willing to go to no end to sacrifice whatever is necessary, but I think the labeling that went on with some sense of disrespect I believe I think may have perhaps been the basis on which you were able to accomplish so much, even though the ideologies are quite different.

I just want to hear from you what was the turning point in the negotiations? Without question, China played a very pivotal role in the process. I was curious with that also in addition, but what really was the turning point in your opinion on how this whole thing came about?

Ambassador HILL. Mr. Chairman, first of all I would like to reiterate I think this is a good first step, so I am worried about using words like turning point yet on this.

I think we were able to achieve this first step through a combination of factors, and I think some you have already alluded to. One of the important factors was that in the wake of the very ill-considered decision by North Korea to launch missile tests in July 2006 and then to actually explode a nuclear device that the international community reacted with one voice. I think it really made very clear to the North Koreans how isolated their behavior had made them.

In particular, I think China spoke very clearly on this point, and the fact that China then supported us on a resolution at the U.N. Security Council, a unanimous resolution condemning the missile launch and then a second resolution which created a set of pretty tough sanctions, economic sanctions to try to deny North Korea the financing for these types of systems and the technology for these systems, that China not only joined us in the U.N., but began to

implement it on the border I think is something that got the North Korean's attention.

Now, I do believe that we have the right model. We have a multilateral model because we have to make it clear we alone, the United States, we can do a lot of things. We can go to the moon and back. We are not going to be able to solve this on our own. We need friends, allies, partners in this process.

So I think the multilateral, the Six-Party process is the right way to go, but embedded within that process we have an ability to speak bilaterally.

Mr. Chairman, I think that is very important because I don't know about you, but when I have sat in rooms with six people talking it is often difficult to get your point across. Sometimes it is good to get off into a separate room and have a very direct discussion.

So I look at these contacts not necessarily as an opportunity for some sort of separate negotiation. I look at these contacts as an opportunity to give very clear messages about where we stand.

I think having a multilateral process that identifies this problem correctly as a multilateral problem and then, embedded within it a bilateral context, is the way to go, and I am especially pleased that Japan and North Korea were not only able to meet in the Six-Party Talks in Beijing and have their own bilateral discussions in the middle of the Six-Party discussions, but have also now scheduled their bilateral working group because that is a problem, while not directly related to denuclearization, that needs to be resolved as well.

Mr. FALEOMAVAEGA. You had mentioned earlier and I was going to ask the question about their missile program in reference to the agreement or the framework of what you are planning on doing, but you did mention that it is ironic that they have been very successful in their missile program and that despite veiled threats I suppose from our own Government they went ahead and exploded the bomb.

That is just to show the character of the Korean people. They are not to be intimidated regardless if we are the most powerful nation in the world. They went ahead and exploded the bomb.

So now overnight they are willing to dismantle this, all the nuclear armament and the potential danger that they pose to the peninsula.

As you mentioned earlier about the missile program, is that part of the agreement that you are going to be working on as a working group with North Korea?

Ambassador HILL. Well, Mr. Chairman, we are committed to a step-by-step process, and what we want to do is address overall security problems in Northeast Asia and so we have set up a working group for this.

I think clearly we do need to address some of these missile issues. If you look at it from the point of view of Japan or South Korea, they are really in range of North Korean missiles.

The answer for the Japanese, now in range of these North Korean missiles, is that they have an alliance with the United States, that is we will respond if Japan is attacked. We will respond, but

certainly there will be people in Japan who feel that they need to have their own type of defense.

I think as China looks at this situation, the Chinese realize this is not a stable situation for the region. I would frankly argue that these missile programs and especially this nuclear program, these programs are not going to bring any security to North Korea.

I think quite on the contrary. They are going to reduce North Korea's security and help impoverish North Korea, so I think North Korea is much worse off for these programs. Frankly, I think if they can get out of these programs they can have a much better future.

Mr. FALEOMAVAEGA. Thank you, Mr. Secretary.

The gentleman from Illinois, Mr. Manzullo.

Mr. MANZULLO. Thank you, Mr. Chairman.

Ambassador Hill, I can't tell you how delighted I am to see you here at least glimmering with hope.

Ambassador HILL. It is spring training, sir.

Mr. MANZULLO. It is. As you recall, I think it was last summer you stopped by our office, and we talked quite at length about the difficulties and everything concerned in negotiating these settlements.

I have a question. I guess it is maybe in the timing. Perhaps the answer lay in the fact that you get what you can under the circumstances. Phase I talks about the dismantling of the plutonium nuclear installation at Yongbyon. I guess there is also a five megawatt nuclear reactor and plutonium processing plant there. That will be done within 60 days. I assume that the IAEA will be overseeing that?

Ambassador HILL. Yes.

Mr. MANZULLO. That is correct?

Ambassador HILL. Yes.

Mr. MANZULLO. Okay.

Ambassador HILL. We believe that the IAEA, as they work this out with the North Koreans, can have a system where they know that the plant is not in operation; that is, with the seals and the monitoring, television cameras, et cetera, they will know that the plant has indeed been shut down pursuant to this set of initial actions, and then they will also know that the reprocessing facility is shut down.

This of course doesn't solve our problem because already there are some, depending on which analysts you hear, 50 kilograms of plutonium already produced.

Mr. MANZULLO. That is my second question.

Ambassador HILL. Yes.

Mr. MANZULLO. Because the second phase that does not have a timetable calls for North Korea to make a complete declaration of all nuclear programs and a disablement of all existing nuclear facilities.

How does the IAEA get involved? Will they have the opportunity to travel freely throughout the country? How are you going to do that?

Ambassador HILL. Yes. What IAEA is being asked to do is monitor the shutdown of this Yongbyon facility, which according to our

best analysis is the only place that North Korea has been producing plutonium.

Mr. MANZULLO. Okay.

Ambassador HILL. The IAEA is not being asked at this stage to take possession of or be monitoring the some 50 kilograms of plutonium that they are believed to have produced.

By the way, the precise amount of plutonium they have produced is something that needs to be clearly stated in their declaration, so we will know whether it is 55 or 60. We felt, though, it is important to stop the reactor and stop the reprocessing so that a 50 kilogram problem doesn't one day become a 100 kilogram problem.

Mr. MANZULLO. So you freeze the production and then you go on to the next one.

Ambassador HILL. To stop it, yes.

Mr. MANZULLO. Is there a reason, Ambassador Hill, that there was no timetable established for North Korea to come up with its complete manifest of what they have?

Ambassador HILL. Well, we decided there is no timetable for the 950,000 tons of fuel oil either, so the quicker they disable their nuclear programs the quicker they give us a full list.

By the way, we want the list to be full more than we want it to be quick, but the quicker they do those things the quicker they will get their fuel oil, so if they can do this all in 6 months we would like to encourage them to do it all in 6 months.

We did not put a timetable. But I want to emphasize that in the previous arrangement that we had in the 1990s, and I would also like to say I am not critical of what was done in the 1990s—as someone who has negotiated things it is not easy, and you are dealing with a different time, a different agreement.

What we agreed to at that time was an annual amount of fuel oil, and it was an annual amount of fuel oil depending on what we would do; that is, we were making a light water reactor for them, and however long it took us we had to keep providing fuel oil.

In this agreement we are providing fuel oil on the basis of actions that they are supposed to take, so if they don't take them we don't provide fuel oil so we are not committed to providing fuel oil over the years. We are committed to a total amount, together with our partners, provided the North Koreans take their actions.

The sooner we can agree on how they disable the reactor and then they disable it, the sooner they will get their fuel oil. So we don't have a timeframe, but we feel that because we have linked our assistance to their actions we encourage a situation where they move faster rather than slower.

Mr. MANZULLO. I understand that there is outright desperation in North Korea in terms of the health of the people. In fact, I was privy to one report that said that the average 10-year-old North Korean is a foot shorter and 20 pounds lighter than his counterpart in South Korea.

Again, I would commend you for the work you have done. I also appreciate your candor in saying that these are first steps, that these are initial steps, that you are not presenting before the American people anything more than what you actually have.

Ambassador HILL. Yes.

Mr. MANZULLO. I thank you.

Mr. FALCOMA. The gentleman from California, Mr. Sherman.

Mr. SHERMAN. A few quick observations. First, you do need to be a rocket scientist to build an intercontinental ballistic missile that can reach the United States, but you don't need to be a rocket scientist to smuggle a nuclear weapon in the United States since many of them would fit inside a bale of marijuana.

The 1 million tons is one way to talk about it, but we usually talk about things here in dollars. That works out I am told to \$300-\$350 million in aid, and they only get 5 percent. Is that a wrong figure?

Ambassador HILL. The spot market price of heavy fuel oil was something on the order of \$240 a ton.

Mr. SHERMAN. So you get something in the \$250-million range?

Ambassador HILL. Something on that order, yes.

Mr. SHERMAN. Okay. I was throwing in shipping costs and a few other things.

Ambassador HILL. The price could go up or it could go down.

Mr. SHERMAN. Okay. In any case, even at \$300 million, and it might even be \$250 million or less, that is a small amount of aid, and they only get 5 percent of it up front.

I hope that in return for CVID the United States will offer a peace and nonaggression treaty, not just a personal commitment from an individual President not to engage in military action since this President has only 2 years to go on his final term.

I know that we are focusing on Yongbyon, and I hope I am pronouncing that right, and shutting it down. I have been told that it was on its last legs anyway. If the North Koreans hadn't signed this deal, for how many more years do you think they could have operated that facility at something well over half of its capacity, something approaching 75 percent of its capacity? If you can't answer in a public forum, let me know.

Ambassador HILL. Yes. I am not an intelligence analyst, but I will say that the facility was up and running and producing plutonium through the reprocessing plant. There is also a much larger facility which will not go forward, and that is a 50 megawatt facility.

Mr. SHERMAN. So you believe you stopped a vibrant plutonium production program?

Ambassador HILL. I do. Now, I want to emphasize we have a plutonium problem even when this is stopped, and that is the amount of plutonium—

Mr. SHERMAN. The 55 kilograms you referred to.

Ambassador HILL. And also, we need to be very clear that we need answers to their procurement and shipment for highly enriched uranium.

Mr. SHERMAN. Let us now turn to their highly enriched uranium program. Does this deal envision that we are able to monitor any possible importation of yellow cake or uranium ore, that we monitor their existing uranium mines and they account for the uranium ore that they have mined over the years?

Ambassador HILL. Well, I think this set of initial actions does not address that point, but any subsequent actions when we go through the process of complete denuclearization, we need to have a system

that is truly verifiable and so how our experts will choose to verify the dismantlement of an HEU program, highly enriched uranium program, I can't speak for them at this point, but obviously we need to be sure that this program cannot be reconstructed in secret.

Mr. SHERMAN. Let me add that the only way you will know whether the North Korean declaration about their HEU program is accurate is to tour the mines, figure out how much ore was mined, figure out how much of it was used for the plutonium program, and then you may have a hint as to what was available for a highly enriched uranium program.

In getting China to be somewhat helpful at least in this, did you have to imply to the Chinese that the United States would be anything other than vigorous in the protection of our trade interests?

As the chairman noted, I have the Subcommittee on Terrorism, Nonproliferation, and Trade, and I just want to know whether you have hinted to the Chinese that I will nice, that we can be anything but vigorous as a country on the trade issues.

Ambassador HILL. I can absolutely assure you we did nothing of the kind.

Mr. SHERMAN. If you achieve CVID, and you have to, there will be at least one person involved with trade that won't bellyache about it. National security comes first.

Do the Chinese sense that if they don't achieve CVID with North Korea that there will come a time, and it will dawn probably slowly, that the Japanese public opinion and perhaps even the South Korean public opinion will be in favor of a nuclear weapons program in those countries?

Ambassador HILL. I think it is fair to say that there is concern in China that were North Korea to get away with having a nuclear program that this could be destabilizing in the region and could lead to an arms race in the region, and I would argue that that is one of the main reasons that China is as concerned as we are to make sure that this North Korea program is finally and irreversibly dismantled.

Mr. SHERMAN. I yield back. Thank you.

Mr. FALCONE. I will gently nudge the distinguished members of our committee. We have a 5-minute rule here, so please help me with this.

The gentleman from California, Mr. Royce.

Mr. ROYCE. Ambassador Hill, we met in China and you briefed us then on the negotiations that you are involved in.

I have been to Macau previously with the staff here behind me. Here is a \$100 bill, the global currency. But I don't think there is anyone in this room who could tell me with confidence whether this is a real note or a North Korean Supernote.

That is the quality of the counterfeiting that is going on in North Korea. They basically bought the Swiss ink technology when they found out we had purchased it with the premeditated intent to counterfeit these bills and then launder them through Macau, home of Banco Delta Asia, which they used for that purpose.

I read with much concern that as step one of this agreement the United States will "resolve" the issues surrounding Banco Delta Asia within 30 days. We had Under Secretary Nick Burns here be-

fore this committee in November. At that time I advised him not to go wobbly on North Korean counterfeiting. He responded by saying that “the easiest way to resolve this is for the North Koreans to stop” counterfeiting \$100 United States bank notes, stop laundering American currency.

So, I take this to mean that we have received solid and verifiable commitments that the North Korean regime will end its economic warfare against the United States within 30 days? I wanted to ask you that question.

Ambassador HILL. Mr. Congressman, I want to assure you that I have repeatedly raised with the North Korean side that it is completely unacceptable to be engaged in this type of activity, especially the counterfeiting of this \$100 bill.

Our vigilance on this matter does not end with our resolving the matter of this bank in Macau. We will continue to monitor this very closely, and as we see signs that the North Koreans are somehow persisting in this activity I can assure you we will react accordingly.

Mr. ROYCE. Well, here is what gives me pause.

Ambassador HILL. We have no intention of trading nuclear deals for counterfeiting our currency.

Mr. ROYCE. I can understand that, but I am looking at a press report from last week, and when asked if North Korean counterfeiting was continuing, the former head of the administration’s Illicit Activities Initiative replied, “Yes, absolutely.”

Now, this is the first instance of a government counterfeiting another’s currency since the Nazis. This is the first time since then that that type of direct impact on the interests and security of a country, in this case the United States, has been undertaken. It is a direct attack on a protected national asset. It is an act of economic warfare by that regime. If I read these remarks correctly from last week, they are still engaged in that activity.

The Treasury Department has said that Banco Delta Asia was a “willing pawn” for the North Korean Government. A willing pawn. They went through 300,000 documents at the bank, and they said everything they saw reinforced their initial concerns.

We have to deal with North Korea not as we want it to be, but as it is. Without curtailing its illicit activities there is going to be no incentive for that regime to change. The point I am making is that we shouldn’t resolve the issues with that bank and allow Kim Jong Il to get the money to pay his generals until he stops counterfeiting our currency.

Frankly, I don’t think more pressure hurts. I think more pressure helps because virtually every form of income—you know, narco-trafficking, counterfeiting, the use of accounts worldwide to conduct proliferation-related activities. The lines between illicit and licit North Korean money is nearly invisible in the words of Stuart Levy, Under Secretary for Terrorism and Financial Intelligence over at the Treasury Department.

Let us keep up the pressure. Let us redouble the pressure. I would like your comment on that though.

Ambassador HILL. Well, first of all let me say the former head of the Illicit Activities Initiative, I think he left some 2 years ago.

I am not sure he is in a proper position to tell us what is ongoing. What I can assure you is that we monitor this very closely.

Mr. ROYCE. I understand, but I have had conversations this week with people in that department and in Treasury, and I am just letting you know there is still a concern.

Ambassador HILL. We will absolutely continue to monitor that. Now, Treasury Department has had a number of extensive meetings with the North Koreans and has raised in a very direct and very detailed way our concerns about this.

In addition, the Treasury Department, as you probably are aware, has been recently in Macau and has worked over the last 18 months very closely with the Macau Monetary Authority, as well as authorities in Beijing.

With respect to the Section 311 Patriot Act actions, 18 months is about the average, I understand, in resolving our role in these actions. It doesn't mean necessarily—it doesn't mean at all—that in resolving it we walk away from the allegations. It can be quite the contrary.

It does mean to open up a case, go through the available evidence, work with the authorities to find ways to resolve it and then at a certain point to resolve it. That is true in any court case in the U.S. Most investigations have a beginning and an end.

I can assure you that we have not and will not trade progress on denuclearization by turning a blind eye to some of these activities, and there is a very clear reason why. If you look at the nuclear activities, which are illicit in and of themselves, and then you look at some of these financial illicit activities, frankly it is the same pattern of behavior, so they are linked in a certain sense. They are linked by a pattern of behavior.

I can assure you I have raised this in very direct terms, and I note the Treasury Department, which has worked very hard through Stuart Levey's really heroic efforts not just with respect to North Korea, but other parts of the world, has worked in a very detailed way to ensure that our financial system is safe from this type of activity.

Mr. ROYCE. Thank you, Ambassador Hill.

Mr. FALCONE. The gentleman from New York, Chairman Ackerman.

Mr. ACKERMAN. Don't make change for Royce. Sorry. I am just making myself a note. Inside joke.

Thank you very much, Mr. Secretary. You expressed in the clearest and most concise terms in response to a question that should the DPRK strike Japan that we would respond, unequivocally committing us to war with North Korea.

Should China, which is equally as likely at least, strike Taiwan are the Taiwanese as meritorious so clear an answer, or is that more puzzling?

Ambassador HILL. I am sorry. Could you repeat the last part of that?

Mr. ACKERMAN. Yes. Would you do for Taiwan what you are going to do for Japan should they be attacked by bad people?

Ambassador HILL. Well, let me just say that with respect to Japan, the United States has a mutual defense treaty with Japan, and I was referring to our obligations under a treaty.

With respect to the issue in Taiwan, I think we have had a long-standing view of our direct concern about this issue, our desire that this issue be resolved peacefully and that——

Mr. ACKERMAN. And the three letters of exchange do provide that if Taiwan is attacked by China that we will do everything to provide for its defense, which is different than defending them.

I just asked that being as murky as it is, which I assume was absolutely deliberate and brilliantly so, is there a clearer answer today in light of our policy toward Japan?

Ambassador HILL. I can just say that with respect to Taiwan, I cannot change our policy here. I think we have a longstanding policy, and we are guided by One-China, three communiqués and the Taiwan Relations Act.

Mr. ACKERMAN. Indeed we are. Under the agreement, North Korea committed to seal its Yongbyon nuclear facility and provide a list of its other nuclear programs. It also agrees to allow the IAEA inspectors into the country.

My questions are basically will the IAEA be allowed access to the facilities in North Korea other than Yongbyon, and will they be allowed to verify that the list of nuclear programs which North Korea provides is both truthful and complete?

Do the six parties to the agreement agree to rely only on the assessment of the IAEA for assessment and verification of the nuclear program, or will each of the parties separately be able to provide their own individual assessment? If the parties disagree, what happens?

Ambassador HILL. Well, again this is a set of initial actions, and one of the initial actions is shutting down the Yongbyon facility and to verify that it has been shut down.

Mr. ACKERMAN. That is clear.

Ambassador HILL. We will have IAEA there.

Mr. ACKERMAN. Yes.

Ambassador HILL. Looking beyond, we will need to work in the follow-on phase to have a complete list of their programs, a declaration of all their nuclear programs which must be abandoned pursuant to the September 2005 agreement.

Mr. ACKERMAN. They give us that list, and if we——

Ambassador HILL. We will need a way to verify that list, absolutely, but I am not in a position today to tell you the role of the IAEA versus the role of some of the U.N. Perm Five members, that is the nuclear states, that will have a special role, for example, in the verifying and in addressing the issue, for example, of the plutonium, the fissile material already produced.

Mr. ACKERMAN. So if the IAEA goes to one of the facilities that is later named that is on the list or discovers one that is not on the list, and I don't know how you handle that, and the IAEA says this is a bad and dirty shop and comes to that conclusion, are we allowed to agree or disagree, or if the Chinese say no, it is an ice cream factory or something?

Ambassador HILL. Well, we have not worked out the rules.

Mr. ACKERMAN. I mean, how does that work?

Ambassador HILL. Yes. We have not yet worked out the rules on how challenge inspections might be accomplished in the future.

The United States, as some of the other countries have, has our own national means of verification, national technical means, that I think we would continue to have.

Mr. ACKERMAN. That is if they put it on a list.

Ambassador HILL. Yes. I mean, we would——

Mr. ACKERMAN. What if they don't put it on a list? I mean, Saddam Hussein never gave us a list.

Ambassador HILL. Well, I think when we get the declaration, and one of the reasons that within the first 60 days we want to have a process where we discuss the declaration is that when we come to North Korea giving us a complete declaration that to our view it is a complete declaration.

Clearly we have to be able to verify this, and I can assure you what we will not end up with is an agreement where they pretend to disarm and we pretend to believe them. We will have an agreement where we know.

I mean, the only agreement we can accept is an agreement where we can really verify what they have said and what they have not said.

Mr. ACKERMAN. Very quickly, Mr. Chairman. I know the time has run.

A million metric tons of oil. How long does that last at the rate at which North Korea uses it?

Ambassador HILL. We will discuss that in the working group. The North Koreans have said that they can accept that in a year's time. In terms of total energy needs of North Korea, it is fairly small. My understanding is it is less than 10 percent.

Heavy fuel oil can only be used in certain things. That is, it can be used in certain power plants that take this type of heavy fuel oil that goes in a boiler. They do not have the refining capacity to take the heavy fuel oil and turn it into gasoline.

Mr. ACKERMAN. I appreciate that. In the interest of time, I was just interested in how long we have to get back to the table because when the oil expires so does the agreement.

Ambassador HILL. I think we are talking less than a year.

Mr. ACKERMAN. Under a year.

Mr. FALEOMAVAEGA. I thank the gentleman.

The gentleman from Arizona, Mr. Flake.

Mr. FLAKE. Thank you, Mr. Chairman.

Ambassador Hill, there was some discussion in the media at least that this \$26 million frozen in Macau was a real item that they were looking at.

In your view, was it? Are they that bad off where \$26 million would make that much of a difference, or was it just the issue of the future and what might be frozen later?

Ambassador HILL. I think this is a matter of analysis rather than policy, but I would say that what certainly got their attention is the fact that we could identify certain financial nodes of theirs, banks that they were using, and bring to bear our own process to deal with those.

Now, I think what they have come to understand is that illicit activities are important to us and that we will go after them when we see them. What I have pointed out to them is the fact that when you are engaged in illicit activities and you have a nuclear

program to boot you should not be surprised that your finances get a pretty careful scrubbing.

So whether it was the \$25 million or so that created the problem I am not sure. I think they were concerned about the fact that we were able to go after an important node of their financing.

Mr. FLAKE. With regard to bringing the Japanese fully into this agreement in terms of supplying fuel oil and whatnot, how likely is it in your view that Japan can solve the abduction issue with the North Koreans and move beyond that?

Ambassador HILL. Well, I think we have made a start in terms of identifying a mechanism for dealing with it. I think my sense of it is that it is going to be a difficult issue, but I would not say it is an impossible issue.

I have made the point to the North Koreans on many occasions that they are a small country, as they like to describe themselves, and if they are going to be small they better be smart. It works in the NBA and it works in lives of nations. I think by smart, they need to reach out and figure out how they are going to have a relationship with the world's second largest economy.

I think it is a difficult issue. Certainly I think the North Koreans got themselves very dug into a certain position, and my hope is that in this bilateral process they are going to be able to identify a road map, if you will, to figure out a resolution.

I think in some cases the resolution is not going to be a happy one for some of the families in Japan who have lost their loved ones, but certainly those families are deserving of an explanation of what happened.

Mr. FLAKE. Lastly, so much of this hinges on being able to define whether or not they have truly frozen or abandoned or whatever else—one of the terms is disablement of—its nuclear program.

Ambassador HILL. Yes.

Mr. FLAKE. Have the negotiating teams already worked out a definition on these words and what they mean, or is that something you will do as you go along?

Ambassador HILL. Well, there are three main elements to what we have to deal with on the nuclear question. One is to run to ground the question of the highly enriched uranium.

We know they have made purchases. We know from the Pakistanis that they bought these centrifuges. There is no other purpose to a centrifuge of that kind than to produce highly enriched uranium, so we have to get to the bottom of the highly enriched uranium situation, one.

Two, we have to make sure that the international community is able to take control of the fissile material already produced, 100 percent of it, and pursuant to the North Korean agreement to denuclearize that has to be taken care of.

The third issue is to ensure that the production of additional plutonium is dealt with. Now, this third issue involves shutting down Yongbyon, sealing it and also doing the same with the processing plant. So we have a very clear idea how to do that, but we also have had considerable discussions of how to go to the next phase, that is to disable these facilities, which is really a confidence building measure.

It is basically saying this is a one way ticket. We are shutting them down, and the next step is we are going to disable them, and after that we are going to dismantle them, and after that we are going to cart them away. It is on a one-way path, and certainly we do have specific ideas how this could be disabled.

Mr. FLAKE. Thank you, and again congratulations on a lot of hard work. I appreciate how you have always kept this committee informed of what was going on.

Ambassador HILL. Thank you.

Mr. FALEOMAVAEGA. Ms. Watson.

Ms. WATSON. Thank you so much, Mr. Chairman, and thank you, Mr. Hill.

North Korea apparently has done an about-face in terms of its nuclear installations and its nuclear testing. I am wondering if the reason why they are agreeing to all of the provisions you have described this afternoon is because of their economy and is it because of the needs of the people.

I view it from the outside that the starvation and the lack of being able to get the necessary resources has somewhat cajoled them into agreement. Can you kind of explain the motivation behind their agreement thus far?

Ambassador HILL. Well, I do believe that they certainly took note of the international reaction to the testing of a nuclear device and the fact that testing of a nuclear device brought the United States and China together as never before, together in the effort to denuclearize North Korea, so I think they realize that that test of a nuclear device had probably a bigger effect in terms of galvanizing opposition to them. So I think world reaction and especially Chinese reaction was one issue.

I think they have also perhaps realized that for years and years they talked about the fact that they wanted to show that they are a member of the nuclear club. They tested a nuclear device. They put themselves in the nuclear club and then what? They found that their economy was still desperately poor. They found that their people still need food, and of course anyone who has seen the famous satellite photograph at night, they realize that their people desperately need electricity.

In short, they realized that these nuclear ambitions have done absolutely nothing for what their people really need, so that may have been a realization that can only come with the sort of "morning after" that they had once they exploded this nuclear device.

I think in the world reaction and with the creation of U.N. sanctions, they put themselves in not only the nuclear club; they put themselves in another very exclusive club which is the list of countries that have a so-called Chapter 7 resolution sanctions program against them. There aren't too many countries in that kind of bad company, and they are one of them.

Nuclear weapons will not help their economy and it will not make them safe, and perhaps in the wake of actually exploding one they realized that that is the position they have put themselves in, less safe and poorer still.

Ms. WATSON. Are there people in the masses putting any pressure on their administration? I mean, have the people risen up?

From what we can see, there has been a great deal of starvation. The pictures are so bleak. I am wondering if this has emboldened the population, the general population, to put pressure and do they react to that pressure?

Ambassador HILL. Yes. This is an analytical question, but I cannot say frankly that public opinion seems to play much role in decision making in Pyongyang.

Certainly North Korean negotiators often tell me about the difficulties they have with hardliners—not further identified, but hardliners. I have not seen signs that they are under some kind of pressure to reach a deal, so it is a government that prides itself on resisting pressure from wherever it comes. Certainly I don't see a sign of public opinion on this.

Ms. WATSON. But it appears that people are actually starving in the northern part of North Korea. Is that so?

Ambassador HILL. They have had serious malnutrition problems. As one of your colleagues observed earlier, in terms of height and weight and how they compare with Koreans from the southern part of the peninsula, you can see the effect of their diet, their lack of calories.

They have continuing food shortages. I am not in a position to tell you whether there is something defined as starvation there today, although I think we could probably get you the most recent report on the food situation.

Certainly they have a situation where their agriculture is very dependent on weather conditions. If they have not enough rainfall, they don't have enough crops. If they have too much rainfall, they often get flooding conditions. They have a very serious problem in their agriculture.

One would hope that as they put away nuclear ambitions they would begin to focus on some of these economic problems because there is no reason in the world that in 2007 people on the Korean Peninsula should have trouble getting food. There is no reason in the world that should happen.

Ms. WATSON. Just in closing, my observation is that they have been softened up. They expressed to the world the fact that they had nuclear capability, but they can't feed their people. The money and the sources they are putting into developing this energy is not paying off for the people, and I think we are at the point.

So your benchmarks will be what, to see that they are following along to a peninsula nuclear free zone?

Ambassador HILL. Yes. Well, in the first 60 days we have some undertakings we need to take, including beginning this working group that we are going to do on Monday in New York.

They have some undertakings as well, including shutting down and sealing the reactor, bringing the IAEA back and engaging in a serious discussion about what their list of nuclear programs is so that as we move to the next phase where they have agreed to disable, we can move to disablement and get a full list, a full declaration.

These are tight timelines, and we will know, first of all, in these first 60 days if they don't allow the IAEA back in to inspect or to monitor the shutdown of this reactor.

We will know in the next phase, again measured in months, whether they have been prepared to disable the materials and to provide a full declaration. So we are just going step-by-step, and the reason we can go step-by-step is we know the ultimate destination, which is denuclearization, the fulfillment of the September 19, 2005, agreement, so we can take steps toward that.

Ms. WATSON. Thank you so much, Ambassador Hill.

Mr. FALEOMAVAEGA. I will note with interest to the gentlelady that it is very difficult to get accurate statistics or information from North Korea because it is a closed society.

Ms. WATSON. Yes.

Mr. FALEOMAVAEGA. Although there was a report given 2 years ago that there were as many as 2 million North Koreans starved to death because of its economic constraints and problems. Here the problem is the accuracy of the information. It is very difficult to get that.

My good friend, the gentleman from New Jersey, Mr. Smith.

Mr. SMITH. Thank you very much, Chairman Faleomavaega, and thank you for chairing this very important hearing.

First of all just let me say to Ambassador Hill, I want to thank you for your extraordinary life-long service and for your present day leadership in attempting to mitigate the enormous threat posed by a nuclear weapons capable North Korea.

Obviously any nukes constitute a threat, and I think the general understanding is that there may be eight to 12 nuclear weapons held by North Korea, but it does stand to reason that more nukes pose a significantly greater threat. A freeze, rather than unfettered nuclear expansion, is a reasonable goal, especially I would suggest in the short term.

As you know, the deal has its critics. John Bolton, our former Ambassador to the U.N., has called it a bad deal. Elliott Abrams has made the point about his concerns that delisting North Korea as a state sponsor of terrorism would be a mistake as a matter of fact, unless that actually happened and we had assurances that it was happening, and he actually points out that the Libya deal there was a separate track for delisting, as well as dealing with the weapons issue, and I wonder if you might want to respond to that?

Secondly, on the issue of the North Korea Human Rights Act which passed in a bipartisan unanimous vote signed by President Bush, it makes clear that United States humanitarian assistance to North Korea should be delivered only according to internationally recognized humanitarian standards and should reach the intended beneficiaries. Of course, diversion remains a serious concern of all of us. We want to help the starving, not feed his army, Kim Jong Il's army.

Secondly, also any non humanitarian assistance should be contingent on substantial progress during specified human rights benchmarks, and I am wondering if the agreement takes into consideration that law. I know we are part of a Six-Party process, but we also have our own legislation to which we have to adhere to.

Finally, let me ask with regards to the denuclearization issue of the Korean Peninsula. North Korea has defined denuclearization to include elements and operations of the United States military in and around the Korean Peninsula that Pyongyang claims con-

stitutes a nuclear threat. Ambassador Kim Gye Gwan raised this in a December 6, 2006, Six-Party meeting.

If North Korea raises this issue forcefully in the working group on denuclearization of the Korean Peninsula, how does the Bush administration plan to respond? Would the administration be prepared to negotiate over limits on the size and operations of United States forces in exchange for a nuclear agreement that provided for the dismantlement of all North Korean nuclear programs? Can you give some indication where that discussion will go?

I yield to the Ambassador.

Ambassador HILL. Thank you very much, Mr. Congressman. There are several issues you have raised.

First of all to put to rest the issue of United States forces on the Korean Peninsula; our forces are there to lend support to our treaty obligation to defend the ROK, the Republic of Korea. They are there and have created stability and security for the Republic of Korea and have played a role for over 50 years in making that country the success that it is.

We are very proud of what our forces have done there, and frankly we are not interested in combining a discussion of those forces with denuclearization of the Korean Peninsula.

Secondly, we don't have nuclear weapons on the Korean Peninsula. We have no intention to introduce nuclear weapons to the Korean Peninsula. We have made that very clear that we don't have the weapons there, and the Republic of Korea Government has also made very clear that they have not allowed any other country to have nuclear weapons in the Republic of Korea and don't have any of their own, so there are no nuclear weapons in the Republic of Korea.

You mentioned certain laws of ours that reflect human rights issues and humanitarian law. I can assure you that any agreement we reach, any agreement we finally reach, any interim agreement, will be done entirely consistent with our laws and obligations. I can promise you that, Mr. Congressman.

With respect to criticisms of the agreement, I have been in Washington for a while. I would expect nothing less. People, especially private citizens, have a right to criticize this agreement or any other agreement. If I can't take a little criticism I shouldn't be here, so that is fine with me.

I do argue that it is a good agreement. I tried to explain what it is; that is a set of initial actions. I have tried to explain what it is isn't; that it is an agreement that comprehensively takes on all the issues that will need to be taken on if we can finally realize the September 2005 agreement which calls for the complete denuclearization of North Korea.

These are a set of initial actions. There are some who would argue we should have tried to solve this all in one step. Mr. Congressman, if I could have solved this in one step I would have done that. I would have been back here a long time ago. I would be watching spring training games down in Florida.

We can't do it in one step. We tried, and what we are going to try to do now is take some steps toward our goal of full denuclearization and so this is just one step. Frankly, I think if it were the last step people would be absolutely right in criticizing it

as wholly inadequate because it is inadequate. We need to follow it up with additional steps.

I have a very, very competent team, and I appreciate all the kind words that many of the members have made to me, but this is a team sport, diplomacy. I had some 26 people with me in Beijing who deserve all the credit or, as some would argue, the blame for this set of initial actions.

We are going to go back there after some 30 days and go on from there. This is really going to be a tough, difficult process. The North Koreans, frankly we are asking them to do something that doesn't come naturally to them and so we have to make it clear by working together with others, especially China, working together with others and laying out some incentives and laying out some clear choices for them because one way or the other we are going to have to solve this problem. We don't have the option of walking away from it, so we have to address this.

I won't speak to Mr. Abrams' comments. I guess they are internal emails or something—I have never seen them—but I will say that with respect to things that the North Koreans have wanted, that is to be taken off the list of state sponsors of terrorism, we indeed will be prepared to talk to the North Koreans about that. We indeed would like to see as our goal to do that.

I think it would be in our country's interest if we can ensure that countries that have been involved in terrorism, but are no longer involved can therefore be removed from that list. I think that is in our interest to do that, and we are going to have some good discussions about that. I hope they will be fruitful discussions.

Mr. SMITH. Thank you.

Mr. FALEOMAVAEGA. The gentleman from Georgia, Mr. Scott.

Mr. SCOTT. Thank you very much, Mr. Chairman.

This is a fascinating moment in American history, and I agree with you. We have to take it step-by-step, and this is a great first step.

I think we would categorize this first step as sort of trust and verify, and that is where I would like to center my questions. Here we have North Korea, a Communist state, a closed society. Every inch of the way leading up to this has been a very difficult process of trust.

I want to talk to you just for a moment about the guarantors of this. You talked about it. Can you elaborate about what guarantees do we have in place just on the first step? The first step first involves South Korea giving 50,000 tons of oil. How much money is that? What guarantees do we have that they will do the next step?

You mentioned the greatest element of that guarantee is China, and in your description of that guarantee you mentioned a very fascinating word to me. You said harmonizing. Would you tell us what that means? Then I have another question to follow up to that.

Ambassador HILL. With respect to initial 60-day actions, we have agreed to do some things. The North Koreans have agreed to do some things.

Now, if we have a situation where, for example, they receive the initial 50,000 tons of heavy fuel oil, which will probably come toward the end of the 60 days—it depends on shipping schedules, et cetera—this 50,000 tons of heavy fuel oil has a market value of be-

tween \$12 million and \$15 million depending on which broker you bought the fuel oil from.

So if we had a situation where——

Mr. SCOTT. And South Korea has agreed to pay for that?

Ambassador HILL. South Korea has agreed to this initial tranche, but we have agreed to work with the South Koreans, the Russians, the Chinese and we hope at some point with the Japanese, to share on an equitable basis the overall economic and energy support or assistance.

It is not fair that South Korea take on this, but for a number of practical reasons they agreed to do this first tranche, but assuming we get into additional tranches we will try to work that out equitably. In this first tranche it is about \$12 million worth of fuel oil.

Let us say that on day 58 South Korea provides \$12 million of fuel oil, and then on day 59 the North Koreans kick out the inspectors and announce well, thanks for the \$12 million of fuel oil, but we have decided to kick you all out, and we are going to continue producing plutonium.

It could happen, I suppose, but I don't think it is in anyone's interest, including the North Koreans', that they create a situation that for \$12 million worth of fuel oil they have abrogated an agreement that they have made not just with the United States, not just with South Korea, but with all the countries in the region, especially a country on whom they depend for daily amounts of assistance, and that is China.

So I think the way it is approached is that within 60 days certain actions happen, and if one side tries to cheat the other side in these 60 days I think everyone will see it so I am not too concerned on that.

Mr. SCOTT. Okay. Now we go to the next step, which we get into the issue of dismantlement.

Ambassador HILL. Yes. Disablement.

Mr. SCOTT. Disablement.

Ambassador HILL. Yes.

Mr. SCOTT. Let us suppose that the Koreans would want to link, and you talked about denuclearization before, but let us suppose there is a linkage there, and there is, from what I understand, a possibility they could link disablement with the denuclearization.

You mentioned that denuclearization would not have an effect to us because we have no nuclear weapons on the peninsula.

Ambassador HILL. Yes.

Mr. SCOTT. But it is my understanding that the North Koreans, when they talk about denuclearization, they are talking about something different. They are talking about removing United States troops from the peninsula, disengaging from South Korea.

So we get into a situation when we move into the second step of semantics and disagreement and so my point is if denuclearization means one thing to us——

Ambassador HILL. Yes.

Mr. SCOTT [continuing]. And something else to the North Koreans, how do we deal with that if they link that to disablement?

Ambassador HILL. Yes. Well, I think you raise important points, but let me say that one of the reasons in September 2005 we start-

ed with a set of principles and overall goals was to address some of these issues.

For example, the North Koreans have at times expressed concern about whether we have nuclear weapons on the Korean Peninsula and so what we agreed to put into the September 2005 Joint Statement was that "the United States affirmed that it has no nuclear weapons on the Korean Peninsula and has no intention to attack or invade North Korea with nuclear or conventional weapons." We put that in there to address precisely the concerns that you have heard from the North Koreans.

In addition, "the Republic of Korea reaffirmed," because they have affirmed it before, "its commitment not to receive or to deploy nuclear weapons in accordance with the 1992 Joint Declaration of the Denuclearization of the Korean Peninsula, while affirming that there exists no nuclear weapon within its territory."

So these paragraphs are put in there precisely to address the possibility that the North Koreans considered this a serious problem. We do not have nuclear weapons in the Korean Peninsula and everybody knows that, including the North Koreans.

Now, they did not try to address the issue in this statement of principles. They did not try to address the issue of our conventional forces. They have conventional forces in North Korea. We have some conventional forces, although the number of our forces is down to some 28,000, and the South Korean forces are something like on the order of a half a million.

So there are conventional forces, and at some point one can imagine some kind of negotiation on those, but that is not in the purview of this denuclearization agreement.

Mr. SCOTT. But it could become a point of negotiation if it got down to it? To get them to move an inch, are you saying that the number of troops on the peninsula could be up for some level of negotiation if that—

Ambassador HILL. No, I am not saying that. I am not saying that. Our conventional force levels are not the subject of this nuclear negotiation. Absolutely not, and I would argue our forces in South Korea have kept security and stability in the Korean Peninsula, and why would we want less security or less stability?

Mr. SCOTT. That is a good point.

Ambassador HILL. Now, I agree with you that occasionally this subject comes up, and certainly if you read North Korean press statements, which I hope you don't, but if you do, you will see a number of comments that are, to put it gently, way off base.

We know what those forces are there for, and they are not part of any nuclear deal.

Mr. SCOTT. Mr. Chairman, I know my time is up, but one last, little point I wish you could hit for us.

What is your understanding of the number of nuclear weapons, nuclear devices? What is the level that they have now?

Ambassador HILL. Yes. This is a question probably best posed to an intelligence analyst. My understanding or what I can say publicly is that they have on the order of, just to give an order of magnitude, 50 kilograms worth of fissile material from the Yongbyon reactor, that is the plutonium from the reactor.

Depending on what your nuclear weapons design is, you might have 6 kilograms per weapon, for example. Now, again it depends on what the design is and it depends on which intelligence analyst you talk to, but if you divide 6 into 50, you do the math. That is how you get the “number of weapons.” It is a rough science in that regard.

What is not a rough science is that we need to determine to the ounce, or to the gram, I should say—to keep it in the metric scale—precisely what fissile material they have, because all of that fissile material must be accounted for.

So that needs to be done. That can be done through the declaration process, but also through certain forensics on the reactor or the reprocessing.

Mr. FALEOMAVAEGA. The gentleman from Colorado, Mr. Tancredo.

Mr. TANCREDO. Thank you, Mr Chairman.

Mr. Ambassador, just recognizing the difficulty we have had in the past with North Korea and especially in terms of getting a common understanding of definitions when we have entered into any sort of negotiations, there is a question that comes to mind about one part of the agreement, Section 4 specifically.

It states that North Korea provide a “complete declaration of all nuclear programs and a disablement of all existing nuclear facilities,” but then rather than stopping with that very strong categorical statement it goes on to say, “including graphite moderated reactors and reprocessing plant.”

Now, because you start there delineating certain things when you say including, you wonder of course whether we shouldn’t have gone on to be more exhaustive in the list. Certainly we don’t even mention the highly-enriched uranium program, and it is the very issue that prompted the crisis in October 2002.

I worry and I expect that North Korea will point to the incomplete list to try to justify the adequacy of an incomplete declaration in the future, so one of the things I was wondering is, Where exactly did the term “graphite moderated reactor” come from? Was it something that North Korea pushed for?

Secondly, wouldn’t you agree that the disclosure and disablement requirements would have been stronger if we had just simply stopped after the phrase, “all existing nuclear facilities”?

Ambassador HILL. Right. Let me, if I could, just take a second to explain why that paragraph is there.

This was supposed to be an agreement on some initial actions; that is shutting down Yongbyon, sealing it, bringing the inspectors in, and then any discussion of additional fuel oil was supposed to go into the economic and energy working group.

The North Koreans, during these negotiations in Beijing, wanted us to give an overall figure on what we could do in fuel oil, and we told them if you want to have more fuel oil, we need deeper denuclearization. We need to go deeper into the process of denuclearization, more than just this initial action of shutting down the graphite moderated reactor in Yongbyon.

We set out for them the fact that additional quantities of fuel oil totaling some 950,000 tons would be available provided the North

Koreans gave a complete declaration and took steps to disable the reactor.

Now, one thing I was concerned about is in the past they have shut down Yongbyon only to kick out the inspectors and bring it up again. We want to go beyond what we have done in the past, so we proposed that they begin to disable these facilities, these same facilities, and that is why we put disabling, we put the graphite moderated reactor, which is precisely the reactor that we are talking about shutting down. We would then actually disable it, so that is the thought that animated that sentence.

Certainly I have had many discussions with the North Koreans on the subject of highly enriched uranium, and they have told me that they understand this is an important issue for us. They have not acknowledged the existence of it, but they have told me they understand the importance we attach to resolving this issue and that therefore they are prepared to have a discussion between our experts and their experts that would lead to what they described as a mutually satisfactory result.

Now, what is satisfactory to us is the complete removal of this program because this is a nuclear program, highly enriched uranium, and all means all, so if we determine that there is a program it has got to go. They, however, are maintaining the position that they don't have that program so we are going to sit down, and we are going to discuss it with them.

What I can assure you of is we cannot accept a complete list unless we believe it is a complete list. As I said earlier, we cannot have a situation where they pretend to disarm and we pretend to believe them. We need to run this to ground, and we do know—as a fact—that they made purchases of equipment whose only purpose can be highly enriched uranium.

How far they have gotten, whether they have been able to actually produce highly enriched uranium at this time, I mean these are issues that intelligence analysts grapple with, but what we know is that they have made purchases and we need to have complete clarity on this program.

Mr. TANCREDO. Thank you, Mr. Ambassador.

Thank you, Mr. Chairman.

Mr. FALCONER. The gentleman from California, Mr. Costa.

Mr. COSTA. Thank you very much, Mr. Chairman, for this important hearing and the testimony that we have received this afternoon.

Ambassador Hill, I don't know whether it was passed on to you, but this morning Ambassador Holbrooke commended you for your good work.

I would like to focus my questions in a couple areas related to your testimony. First, I heard you say a bit ago about, and these are my words. I don't know if you referred to them as benchmarks, but the steps with the timelines that have to follow in the work that you are now proceeding with in New York and following up with the other parties to the agreement.

I would like to get a real sense as to, one, if China, which as you have stated is probably the most important partner in this effort, is in accord with all of the benchmarks and the steps, and I would

like to also hear a comment from you as to what you think their motivations are.

Ambassador HILL. Well, I think with respect to China their reaction to the missile test in July and the nuclear test in October was pretty firm and pretty swift. They worked with us and very closely in the U.N. to achieve two resolutions, one in July and one in October, but then they also implemented these resolutions, and we know this because we observed this.

They moved to implement these resolutions, that is inspecting cargo, for example, on some of the cross border points on the Yalu River. In short, they made it very clear that they really do support efforts to denuclearize North Korea.

Now, one of the reasons is they know that if North Korea is allowed to proceed with its nuclear weapons program, North Korea will find itself in even deeper isolation, and China will have no choice but to join in that isolation and that ultimately further nuclearization in North Korea will make it more unstable, and China doesn't want a very unstable element on its border.

Secondly, the Chinese are very concerned about what could be the reaction in the neighborhood. Could there be an arms race developed in the neighborhood? They are certainly concerned about how Japan would react to continued nuclearization in North Korea, certainly concerned about how South Korea might react.

Mr. COSTA. To sum it up, as most countries, they are acting in their own self-interest.

Ambassador HILL. Yes.

Mr. COSTA. And it is not in their self-interest to see this prolonged, whatever game the North Koreans are playing.

Ambassador HILL. That is right. Yes. Yes. It is not in their interests at all, and they know a nuclear North Korea is a very unstable element in the neighborhood.

Mr. COSTA. That leads me to my second question. We had Ambassador Lilly before the full committee 3 or 4 weeks ago before you had made this progress, and they were commenting on his observations when he was Ambassador to South Korea.

I asked him a question at the time to comment about the leadership of North Korea from the father to the son to the current level of how power is dispersed within that country.

I would like you to give us some observation from your sense, having been working on this for so long, as to the stability of that leadership and whether or not it is going to continue on to the next generation.

Ambassador HILL. Well, I am engaged in continued negotiation with the North Koreans so I think I probably would want to refrain from making overt comments on how I see the stability of that regime, but I will say that they are going to need to adjust their attention to their economy.

From all signs we have seen, their economy is in worse shape today than it was 5 years ago, and while they have some signs of some increasing marketization due to cross border trade with China, overall I would say North Korea is facing some very difficult problems.

They have a problem of infrastructure that is worsening. They are not building roads that they need. Their industrial sector is not

moving ahead. We also know from their need for fuel oil that they are increasingly having problems in their energy supply.

All of these issues I think would be of great concern to any government anywhere in the world, and I think that includes the government in North Korea.

Mr. COSTA. So you think internally they are concerned about their own stability if they are not able to deliver to their own folks?

Ambassador HILL. Right. I think the issue is their own security and ultimately how that would affect their stability. They are not a country that pays a lot of attention to what the rest of the world thinks of them.

Mr. COSTA. Except for their ability to stay in power.

Ambassador HILL. I think they are very interested in retaining their system.

Mr. COSTA. Yes.

Ambassador HILL. Yes.

Mr. COSTA. Thank you.

Mr. FALEOMAVAEGA. Thank you, Mr. Costa.

We had anticipated Ms. Jackson Lee from Texas also, which I am very pleased that she is unable to make it.

Mr. Ambassador, you have given 3 hours of your most precious time. I do regret and wish that more members of this committee would have been here to hear your testimony on this very vital and important issue to our nation's needs in this important region of the world.

I certainly want to commend you for your fantastic patience. Anyone that has to negotiate something that you went through needs patience, and I want to say that I certainly speak for the chairman and the members of this committee again to commend you and your associates on the tremendous job that you have done.

I read somewhere in the Good Book, it says, "Blessed are the peacemakers for they shall be called the children of God," and I think I certainly from this member give you all the support and wish you all the best in the upcoming weeks and months as you continue this important dialogue with the people and the leaders of North Korea and bring this to a successful conclusion.

Mr. COSTA. Mr. Chairman?

Mr. FALEOMAVAEGA. Yes?

Mr. COSTA. I just want to concur with those very hopeful words. We do appreciate your good work, and thank you, Mr. Chairman, for your effort.

Mr. FALEOMAVAEGA. Thank you. The hearing is adjourned.

[Whereupon, at 4:30 p.m. the committee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE BRIEFING RECORD

PREPARED STATEMENT OF THE HONORABLE SHEILA JACKSON LEE, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF TEXAS

JANUARY 18, 2007

Thank you, Mr. Chairman, for yielding, and I applaud Chairman Lantos and Ranking Member Ros-Lehtinen for including this hearing in the rigorous agenda you have set for the Committee on Foreign Affairs this Congress. Welcome Secretary Perry and Ambassador Lilley. Your service to our country is much appreciated and respected, and I look forward to hearing from both of you on your expertise on the subject of North Korea. As American citizens, we must understand the burden that we have as a result of our superpower status and enormous assets—diplomatic, economic, political, military, and moral—to work toward the cause of global leadership for peace, justice, and security. I look forward to your testimony and having the opportunity to probe your views in depth. Thank you again for being here.

Mr. Chairman, ever since the first signs of a nuclear program were detected in North Korea in the 1980s, it has been considered a serious potential threat to our national and global security. After a number of talks and substantial pressure on their government, they finally agreed to a long-range missile moratorium in 1999. Yet three years ago, North Korea withdrew from the Non-Proliferation Treaty, restarted its nuclear reactor, and increased its plutonium supply six fold, all without penalty. Last October, its first nuclear test was conducted.

A continued nuclear program in North Korea could destabilize the whole region and beyond, and would give Iran no reason to hold back from its own program. Other nations, seeing the lack of consequences for North Korea, could follow suit in a widespread nuclear arms race. We must not allow this to happen.

I believe that much of the current state of affairs is a result of failed United States diplomacy in the region, and much must be done to correct this. The “pre-emptive” war on Iraq, a nation with no weapons of mass destruction, has been a distraction from this issue and a waste of our efforts and resources, while a more serious threat has been allowed to flourish in our midst. The only achievements we have made are the destruction of our international reputation and increased tension in relations with our enemies. It was only one month after our invasion of Iraq that North Korea restarted its nuclear program.

In 2005, efforts by Secretary Rice led to an agreement in which North Korea promised to abandon its program, but to no avail. On the same day, Vice President Dick Cheney undermined the deal by ordering sanctions which angered Pyongyang.

We must take a new direction in our foreign policy, and North Korea must be an integral part of our focus. Direct negotiations have worked in the past and, as with Iran, we must continue to attempt to have dialogue with them in the future. As Secretary Albright said yesterday, it is necessary to negotiate with governments with which we are not on good terms. Silence gets us nowhere. I commend you, Mr. Chairman, for your steps in this direction through your visits to Pyongyang within the past 3 years. It is my hope that, with the help of our witnesses today and others, we may continue these negotiations with a clear strategy in mind.

In addition, we must work with international support toward achieving a resolution. This is a global problem, and we should not proceed alone. Sanctions may have a limited effect, but at least they have the potential to get the ball rolling.

Mr. Chairman, the Bush Administration’s policies on North Korea have had no success so far and it is time for a new direction. We must prevent North Korea from continuing along the destructive path it is currently taking, and work to create a better global state of affairs for all.

I look forward to hearing from Secretary Perry and Ambassador Lilley and considering their thoughtful responses to the Committee's questions.

Thank you. I yield the balance of my time.

WRITTEN RESPONSE TO QUESTION SUBMITTED FOR THE JANUARY 18, 2007, BRIEFING RECORD BY THE HONORABLE ALBIO SIRE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Question:

The Agreed Framework of 1994 negotiated under the Clinton Administration provided North Korea with a package of nuclear, energy, economic and diplomatic benefits and, in return North Korea would halt the operations and infrastructure development of its nuclear program.

Looking back at the Agreed Framework, which was terminated under the Bush Administration, what are the lessons learned from this agreement that could be applied to our current situation with North Korea?

Response from the Honorable William Perry, Senior Fellow at the Hoover Institution, former Secretary of Defense

The first lesson from the agreement is that coercive diplomacy can be successfully used with North Korea to bring about significant disruptions in their nuclear weapon program.

The result of the Agreed Framework was a delay of eight years in their production of nuclear weapons, during which time they could have built 50 to 100 nuclear bombs from plutonium produced at Yongbyon.

The second lesson is that North Korea will not easily give up their aspirations for nuclear weapons. Our coercive diplomacy effected a major delay in their program, but stopping their desire to have nuclear weapons would require dealing with the fundamental security problem which drives North Korea to seek nuclear weapons. That would entail working for major political and economic changes in North Korea that have the effect of North Korea being a "normal" nation.

Response from the Honorable James Lilley, former United States Ambassador to South Korea

The origins of agreement on North Korean nuclear weapon program precede the Agreed Framework by at least 5 years. The US detected nuclear weapons related activity of Yong Byon in North Korea in the late 1980s. These findings were published with photographs by the Defense Department in the early 1990's prior to 1994. North Korea had already joined the NPT. As a result of IAEA and US interventions, North Korea allowed inspectors into Yong Byon and provided an inventory so to speak of its nuclear facilities. NK also signed a Denuclearization Agreement with South Korea in 1991-92. The US for its part in a general statement signaled its withdrawal of nuclear weapons from South Korea in this same time frame, prior to 1994. North Korea was NOT paid by the US for this movement.

In January 1992 the United States had its first policy level bilateral talks with North Korea in New York City. US delegation headed by Arnold Kantor and the NK delegation by Kim Young-Sun, a close confidant of Kim Jong-Il. Current Secretary-General of the UNSC, Ban Ki Moon was kept fully informed of the contents of these talks.

What changed was in 1993 with a new US administration, the North Koreans became much more belligerent and threatened war—in their words because of our annual joint exercise with South Korea, "Team Spirit." The North Koreans maintained this belligerency until 1994 when the US responded with military movements and the former President Jimmy Carter's trip to Pyongyang in mid 1994. With the Carter trip momentum was started for negotiations between the US and NK on NK nuclear program. These resulted in the Agreed Framework culminated in October 1994.

The Agreed Framework basically stipulated a freeze on North Korean nuclear programs at Yong Byon, IAEA inspector equipment to cover particularly spent fuel rods—these rods however were kept in North Korea where they could be reactivated at any time. In return North Korea would receive two light water nuclear reactors worth above 4 billion US dollars and 500,000 tons of heavy oil per year. These costs would be covered principally by Japan and South Korea.

In addition, the US provided North Korea above 650,000,000 million US dollars of food aid largely unmonitored.

There was positive personal engagement at the high level and working level. The US Secretary of State visited NK in late 2000 and the leading NK military leader

visited the US. There was also a summit meeting in June 2000 between the leaders of North and South Korea.

The downsides were—there was reliable evidence NK had started a HEV nuclear weapon program in secret in 1998 in violation of its agreements and it was confronted on this in 2002. Also North Korea refused to carry out its agreement for another summit and summarily stopped and started other agreements reached.

North Korea suffered a major famine in the mid 1990s which was a motivating factor in seeking foreign aid. It found the threat of expanding a nuclear weapons program as useful leverage in gaining more aid. It also agreed to six party talks Russia, China, Japan, North and South Korea, and the US as a forum for discussion of its nuclear program and benefits it could derive from it.

Now, there is an essential greater cohesion among 5 of the 6 parties in part spurred on by North Korean nuclear and missile tests in 2006. Also we are much better informed on the profound internal problems in NK as well as its economic vulnerabilities.

In sum, the Agreed Framework had a beneficial effect in bringing the various parties closer together and reaching some agreements on dismantlement of NK nuclear weapons program, in return for aid and security guarantees. The downsides were NK got too much aid for too little cooperation. The aid was largely unmonitored and foreign workers had to be imported to build the light water reactors. Also inspections were limited and North Korea was able to develop secret programs of WMD. We also became more aware of North Korean failures in its military programs.

There is little disagreement about the nature of the North Korean regime, a brutal dictatorship with massive control of its own people and a failing economy.

The question is how do we deal with this country. Considerable progress has been made with successes and some failures, and we need to build on our knowledge accumulated over 50 years of negotiating with NK, and work closely with our friends and allies, particularly China and South Korea who have profound interests but differing time tables and some divergent objectives. Progress has been made and we must prevail in the interests of world peace and stability.

